

**Department of  
Housing and Urban Development**

**Real Estate Assessment Center**

**HUD PHA  
GAAP CONVERSION GUIDE**

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## **Executive Summary**

This guide was prepared by the U.S. Department of Housing and Urban Development's (HUD's) Real Estate Assessment Center (REAC) with assistance from Arthur Andersen, LLP. The purpose of this guide is to assist the Public Housing Authorities (PHAs) in converting their annual financial statements from HUD's basis of accounting to Generally Accepted Accounting Principles (GAAP) as required by the Uniform Financial Reporting Standards. This guide will be updated periodically as needed. The use of GAAP is effective for all PHAs with fiscal years beginning on or after October 1, 1998.

The purpose of this guide is to:

- explain the PHAs' responsibilities in the conversion process
- provide general information and guidance on governmental accounting in accordance with GAAP
- explain the GAAP conversion strategy and HUD preferred accounting options under GAAP
- provide conversion entries for key financial statements items
- describe the technical submission requirements
- explain the required supplemental financial data schedule
- document the due dates
- provide answers to common questions

## **Section I. Introduction**

### ***Basis for Development***

REAC developed this guide to help PHAs convert their annual financial statements from the HUD's basis of accounting to GAAP. In compiling the information and examples in this guide, REAC and Arthur Andersen, LLP utilized data, interpretations and examples contained in the referenced authoritative literature as well as in Governmental Accounting, Auditing and Financial Reporting (GAAFR) published by the Government Finance Officers Association and the 1998, Miller Governmental GAAP Guide. To assess the financial condition of each PHA using uniform standards and protocols, REAC requires GAAP based financial statements. The goal is to analyze the operating results and financial position and to compare each to industry benchmarks.

### ***Scope***

The requirement that PHAs report their annual financial statement information to conform to GAAP applies to all PHAs that administer subsidized programs under the terms of an Annual Contribution Contract (ACC). PHAs are required to report all business activities so that REAC may assess the overall financial condition of the PHA.

This guide does not attempt to advise PHAs on setting up and maintaining an accounting system. Each PHA should consult with an independent public accounting firm for advice and guidance as necessary.

## ***PHA Responsibilities***

Each PHA will be required to:

- provide an effective system of internal controls to safeguard cash and other assets;
- provide budgetary control over their programs;
- provide timely, accurate, and complete financial information for management decision making;
- provide the financial data needed to prepare the financial statements and various HUD reports; and,
- permit a timely and effective audit.

Each PHA has the responsibility to set up systems that meet the minimum standards required by 24 CFR Part 85 including:

- *Financial Reporting* – Disclose accurate, current and complete financial results of HUD assisted programs.
- *Accounting Records* – Identify the source and application of funds provided for HUD assisted activities.
- *Internal Controls* – Maintain effective controls and accountability for all assets, including Accounting Controls and Management Activities.
- *Budget Controls* – Prepare a separate budget for each HUD assisted program, based on HUD prescribed categories, and assure that expenditures do not exceed the approved budget.
- *Allowable Cost* – Ensure that funds are expended in accordance with program requirements, based on OMB Circular A-87 or as amended.
- *Source Documentation* – Maintain source documents and files that support the financial transactions recorded in the books, providing an adequate audit trail.

## ***Governmental Accounting***

### **Jurisdiction over Accounting and Reporting Standards**

Accounting and financial reporting can be divided into three categories:

- commercial
- not-for-profit
- governmental

The Financial Accounting Standards Board (FASB) has jurisdiction over commercial and not-for-profit accounting and reporting.

The Governmental Accounting Standards Board (GASB) has jurisdiction over state and local governmental accounting and reporting. In 1989, the Financial Accounting Foundation reaffirmed that the GASB's jurisdiction encompasses all state and local governmental institutions, not only when they are included as part of a government's financial report, but also when they issue their own separate financial statements.

### **Governmental Accounting System**

A governmental accounting system must make it possible to:

- present fairly and with full disclosure the financial position and results of financial operations of the funds and account groups of the governmental unit, conforming with Generally Accepted Accounting Principles (GAAP); and,
- determine and demonstrate compliance with finance-related legal and contractual provisions.

A governmental accounting system should be organized and operated on a fund basis. A fund is defined as:

*a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives under special regulations, restrictions or limitations.*

A fund's "basis of accounting" determines *when* a transaction or event is recognized in the fund's operating statement. Governmental GAAP allows the use of both *governmental* and *enterprise* fund methods for financial accounting and reporting. The difference between the two methods is their measurement focus:

- Governmental funds use “modified accrual” accounting. It is not enough that an economic transaction or event has occurred for it to affect the operating statement. Rather, the related cash flow must occur within a short-enough period to have an effect on *current* expendable resources. Therefore, the modified accrual or accrual basis of accounting, as appropriate, should be used to measure financial position and operating results.
- Enterprise funds use “full accrual” accounting. Transactions and events are recognized as revenues/gains or expenses/losses when they occur, regardless of the timing of related cash flows.

## Governmental Fund Accounting

Most government services are financed through taxes and intergovernmental revenues. Although beneficiaries of tax-financed services are typically taxpayers themselves, there normally is no direct relationship between what an individual taxpayer is asked to pay and the cost of the services received by that same taxpayer.

Other government services are financed through user charges. In this case, the cost to an individual is proportionate, at least in some degree, to the benefit received by an individual. If a service is largely funded through non-exchange revenues (taxes, for example), it is called a “**governmental-type activity**.” Accountants have taken a certain approach to governmental-type activities, focusing on:

- available, expendable resources
- near-term demands on them, rather than on long-term recovery

## Enterprise Fund Accounting

If a service receives a significant portion of its funding through user charges, it is called a “**business-type activity**” – an activity similar to that found in the private sector. Interest in a government’s business-type/ enterprise activities has centered on:

- the cost of providing services
- the degree to which the cost is recovered through user charges

Private-sector accountants involved with profit-making enterprises share this interest in cost and cost recovery. The GASB’s *Codification*, Section 1300.104, states that the enterprise fund type may be used:

*To account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered through user charges; or (b) where the governing body has decided that periodic income determination or revenues earned,*

*expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.*

While HUD strongly prefers the use of full accrual accounting, the determination of whether the governmental or enterprise method should be used is left to the discretion of each PHA in consultation with its IPA. The type of activities covered by a fund drives which method most accurately provides users of the financial statements with a clear understanding of the PHA's operations and financial results. For example, it is likely that PHAs will use enterprise fund accounting for operations principally funded through tenant rentals and federal housing assistance programs. These funds may include low rent housing, Section 8 and most, if not all grant programs.



## Sources of GAAP and the GAAP Hierarchy

The GASB is the highest, but not the sole, source of GAAP for PHA governmental entities. The AICPA, in Statement of Auditing Standards No. 69, *The Meaning of “Present Fairly in Conformity with Generally Accepted Accounting Principles” in the Independent Auditor’s Report*, established a hierarchy of sources of GAAP for state and local governments and government-related entities. By definition, a higher level of this hierarchy automatically preempts any inconsistent guidance that may be found at some lower level. The five levels of the GAAP hierarchy are described as follows:

### GAAP Hierarchy

	<b>GASB</b>	<b>AICPA</b>	<b>Other</b>
Level 1	Statements and Interpretations  FASB pronouncements made applicable by a GASB Statement or GASB Interpretations		
Level 2	Technical Bulletins	Audit and Accounting Guides/ SOPs (Specific to Government and cleared by GASB)	
Level 3	Issues Task Force Consensus	AcSEC Practice Bulletins (Specific to Government and cleared by GASB)  Positions and AICPA Practice Bulletins made applicable by AICPA and Cleared by GASB	
Level 4	Implementation Guides	Audit and Accounting Guides/ SOPs/AcSEC Practice Bulletins (Specific to Government but <i>Not</i> cleared by GASB)	Widely Recognized and Prevalent Practice (e.g., Governmental Accounting, Auditing, and Financial Reporting – GAAFR).
Level 5	Concepts Statements		GAAFR Review Textbooks/ Articles/ FASB Pronouncements  Other sources identified in levels 1 through 4 in the private sector accounting hierarchy that have not been made applicable by the action of the GASB, AICPA Technical Practice Aids, Handbooks and Pronouncements of other professional associations or regulatory agencies

The following information summarizes HUD's accounting preferences and includes a comparison of the governmental and enterprise fund methods of accounting:

<b>Accounting Topic</b>	<b>GAAP</b>	
	<b>Governmental Fund</b>	<b>Enterprise Fund</b>
Financial Statements –		
- Classified Balance Sheet	Multiple Column	Single Column
- Statement of Revenue, Expenditures and Changes in Fund Balance	Multiple Column	Single Column
- Statement of Cash Flows	Enterprise Fund Only	Single Column
- Budget vs. Actual	Governmental Fund Only	
Supplemental Schedules -		
- Combining Balance Sheet	X	X
- Combining Statement of Revenue, Expenditures and Changes in Fund Balance	X	X
- Financial Data Schedule	X	X
Full accrual	Optional	X
Modified accrual	X	
Economic basis		X
Current resources measurement focus	X	

**HUD prefers:**

- A classified, comparative Balance Sheet
  - Current = one year or less
  - Non current = more than one year from the balance sheet date
- Comparative Memorandum Totals (First year waiver)
- The full accrual method

## Section II. Implementation Guide

### *Introduction*

To report financial information, governmental GAAP requires governmental entities to use either the governmental fund method or the enterprise fund method. The selected option depends on the type of activity performed and the intent of the activity. HUD will not require a prescribed accounting and reporting method to be used, as this decision is to be made by the PHA. For guidance on selecting an accounting and reporting method and on applying governmental GAAP, the following authoritative sources should be referred to:

- GASB Statements and Interpretations
- The AICPA Government Auditing Guide
- Governmental Accounting, Auditing and Financial Reporting Guide (GAAFR)

### *HUD-preferred Options under GAAP*

GAAP permits choices among acceptable options for certain accounting transactions. Since the purpose of converting to GAAP is to achieve uniform and consistent financial data from all PHAs, HUD has selected *preferred options* for some of those transactions where GAAP allows a PHA to choose from more than one method.

- **Classified Balance Sheet**

HUD prefers a *classified balance sheet*. A classified balance sheet lists:

- current assets together, followed by non-current assets
- current liabilities together, followed by non-current liabilities

*Current assets* are generally defined as cash and other assets reasonably expected to be realized in cash or those assets sold or consumed in the normal operating cycle of the business (i.e. one-year).

*Current liabilities* are generally defined as obligations whose liquidation is reasonably expected to require using current resources properly classified as current assets or through creating other current liabilities.

In a classified balance sheet:

- classify the portion of long-term debt expected (required) to be repaid within one year as a *current liability*
- classify all other assets and liabilities that do not meet the above definition of current as a *non-current asset or liability*

## Accrual Method of Accounting

HUD has selected the full accrual method of accounting as the preferred method for both governmental and enterprise fund methods. While required for the enterprise fund model, governmental GAAP also allows the full accrual method of accounting in the governmental fund type for entities like PHAs.

## *Revenue Recognition Criteria of Grants and Shared Revenue*

Under GAAP, the measurement focus for a governmental fund is the flow of current financial resources. Revenues are recognized when they are susceptible to accrual, which means they are both *measurable and available*. Revenues are measurable when the amount of revenue is subject to reasonable estimation. Revenues are available when the revenue is subject to collection within the current period, or after the end of the period but in time to pay liabilities outstanding at the end of the current period.

### Definitions

**Grant** - A contribution or gift of cash or other assets from a government entity, to be used or expended for a specified purpose, activity or facility.

**Shared Revenue** - A revenue levied by one government but shared on a predetermined basis, often in proportion to the amount collected at the local level, with another government or class of government.

Grants and shared revenues are recognized as revenue based on the method of accounting used by the particular fund that receives the resources. **Governmental fund** receipts are recorded on the modified accrual basis. **Enterprise fund** receipts are recorded on the full accrual basis.

### Governmental funds

Grants, entitlements and shared revenues should be recorded as revenue when they meet the measurable and available criteria. In general, governmental units receiving grants are entitled to the resources when appropriate expenditures under the grant program are made. Thus, the critical event is the point at which an expenditure is incurred. At that point, grant revenue should be simultaneously recognized along with the expenditure. The receipt of a grant and subsequent expenditure of the grant may be recorded in the following manner:

1)	(1111.1) Cash	XXX	
	(2200) Deferred Revenue		XXX
	Grant is received from a governmental unit.		
2)	(4590) Expenditures - General	XXX	
	(2111) Accounts Payable – Venders and Contractors		XXX
	(2200) Deferred Revenue	XXX	
	(3401) Revenue – HUD PHA Grants		XXX
	Expenditures that qualify under the grant program are incurred.		

Entitlements and shared revenue generally are subject to forfeiture only if the governmental unit does not observe the prescribed regulations. Thus, entitlements and shared revenues may be recognized before they are actually received if they (1) can be reasonably estimated and (2) are available to finance expenditures of the current period.

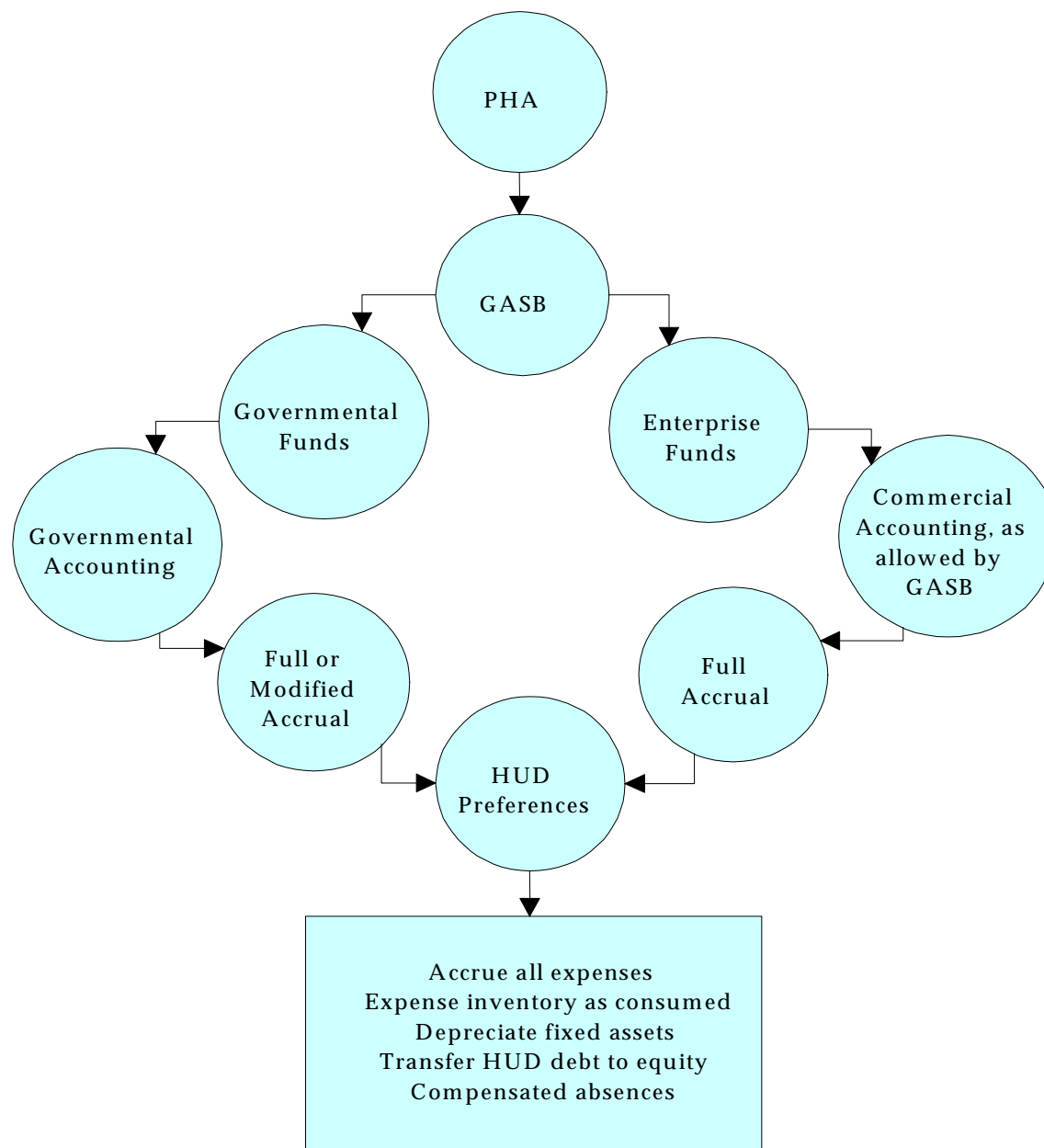
When grants, entitlements and shared revenue have not met the measurable and available criteria and no resources have been received from the disbursing governmental unit, the recipient governmental unit may disclose the nature and amount of the item in a note to the financial statements, but receivable and deferred revenue accounts should not be established. On the other hand, when the revenue criteria are not met but the grant, entitlement or shared revenue has been received the amount should be recorded as deferred revenue.

### **Enterprise Funds**

Enterprise funds must use the full accrual basis of accounting to determine when grants, entitlements, and shared revenue should be recorded. In determining whether (1) the earnings process is complete or virtually complete and (2) an exchange has taken place, due consideration should be given to the qualifying restrictions that may be imposed by the terms of the grant, entitlement or shared revenue.

## GAAP Conversion Strategy

Currently, HUD does not require PHAs to follow GAAP standards: PHAs may follow either GAAP or HUD financial reporting standards. Under the new rule, PHAs will determine the reporting model based on governmental GAAP, which is driven by the PHAs determination of what type of government entity it is. When GAAP permits options for the accounting of certain transactions, HUD has selected the preferred option. Below is a decision tree that shows options related to the reporting model. A supplemental financial data sheet *must be presented* with all financial statements.



## *Content*

This guide lists financial statement items that will be accounted for differently under GAAP as compared to the former HUD method. PHAs should refer to the present literature on governmental accounting as a source of detailed information on how to account for these items under GAAP.

- Accounts Receivable
- Inventory
- Investments
- Fixed Assets
- Depreciation
- Bonds and Notes Payable
- Compensated Absences
- HUD-guaranteed or Direct Debt
- Interest Subsidy (related to HUD-guaranteed or Direct Debt)
- Loss Contingencies
- Unfunded Pension Liability

The financial statement items are discussed in these sections:

- Former HUD Accounting
- GAAP Methodology
- HUD-preferred Accounting (if GAAP provides more than one acceptable method)
- Conversion Entries
- Guidelines for Conversion

Included in Appendix B is a sample chart of accounts which PHA's may adopt (but are not required to adopt). The sample GAAP and conversion journal entries included in this guide use the account number on that sample chart of accounts for illustrative purposes only. **The account numbers to debit and credit will depend on the PHA's actual chart of accounts.**

## Accounts Receivable

Accounting Topic	GAAP		HUD-preferred Accounting
	Governmental Fund	Enterprise Fund	
Record receivables for tenant rental income and HUD contributions due.	Required	Required	None
Establish an Allowance for uncollectible (or doubtful) Accounts.	Required	Required	None

### Former HUD Accounting

For tenant accounts receivable (A/R), HUD required the modified or full accrual method of accounting. The full amount to be collected as rental income was recorded as Tenants A/R at the beginning of each month and the A/R was then reduced as rent was collected from the tenants. HUD allowed for the write-off of uncollected tenant receivables only when the tenant vacated the premises. No accrual was required for HUD contributions due. HUD did not require a reserve for uncollectible accounts.

These are the journal entries for the former HUD Accounting method:

1) To recognize rental income at the beginning of each month:			
(1122) Tenants Accounts Receivable	XXX		
(3110) Dwelling Rental		XXX	
2) To write-off A/R of vacated tenants:			
(4570) Collection Losses	XXX		
(1122) Tenants Accounts Receivable		XXX	
3) To record the collection of an account previously written off:			
(1111.1) Cash	XXX		
(4570) Collection Losses		XXX	



## GAAP Methodology

Both governmental and enterprise funds must account for uncollectible accounts receivable.

- For governmental funds, NCGA Statement No. 1, *Governmental Accounting and Financial Reporting Principles*, requires that an allowance for uncollectible accounts be established for potentially uncollectible amounts.
- For enterprise funds, SFAS No. 5, *Accounting for Contingencies*, guides the establishment of the allowance for uncollectible accounts for potentially uncollectible amounts.

Under GAAP, these are the entries for accounts receivable:

### *For Governmental Funds:*

- 1) As revenues are billed or accrued, the total amount of the billings including the accrual is debited to accounts receivable. The portion of the accounts receivable expected to be collected is credited to revenues, and the portion of the accounts receivable not expected to be collected is credited to the allowance for doubtful accounts. The net revenue approach is necessary because governmental funds account for expenditures, not expenses; and the amounts of receivables that are uncollectible do not constitute an expenditure. Therefore, they are treated as a deduction from revenue. Here are the entries to establish the allowance account:

(1122) Tenants Accounts Receivable	XXX	
(3110) Dwelling Rental		XXX
(3110) Dwelling Rental	XXX	
(1122.1) Allowance for Doubtful Accounts - tenants		XXX

- 2) To write-off receivables (done on an interim basis):

(1122.1) Allowance for Doubtful Accounts- tenants	XXX	
(1122) Tenants Accounts Receivable		XXX

- 3) To record collection of accounts receivable previously written-off (done as necessary):

(1111.1) Cash	XXX	
(1122.1) Allowance for Doubtful Accounts - tenants		XXX

*For Enterprise Funds:*

- |  |  |     |     |
|--|--|-----|-----|
| 1) To record bad debt expense (to establish and adjust the allowance account):             |  |     |     |
| (4570) Collection Losses   |  | XXX |     |
| (1122.1) Allowance for Doubtful Accounts - tenants   |  |     | XXX |
| 2) To write-off receivables (done on an interim basis):                                    |  |     |     |
| (1122.1) Allowance for Doubtful Accounts - tenants   |  | XXX |     |
| (1122) Tenants Accounts Receivable   |  |     | XXX |
| 3) To record collection of accounts receivable previously written-off (done as necessary): |  |     |     |
| (1111.1) Cash  |  | XXX |     |
| (1122.1) Allowance for Doubtful Accounts - tenants   |  |     | XXX |

**HUD-preferred Accounting**

HUD prefers *full accrual of accounts receivable, with an appropriate allowance for uncollectible (or doubtful) accounts.*

**Conversion Entries**

*From HUD to Governmental:*

- |  |  |     |     |
|--|--|-----|-----|
| 1) To establish an allowance for doubtful accounts:    |  |     |     |
| (2806) Undesignated Fund Balance                       |  |     |     |
| (To establish the prior year's reserve)                |  | XXX |     |
| (3110) Dwelling Rental                                 |  |     |     |
| (To record the current year's addition to the reserve) |  | XXX |     |
| (1122.1) Allowance for Doubtful Accounts - tenants     |  |     | XXX |

*From HUD to Enterprise:*

- |  |  |     |     |
|--|--|-----|-----|
| 1) To establish an allowance for doubtful accounts:    |  |     |     |
| (2806) Undesignated Fund Balance / Retained Earnings   |  |     |     |
| (To establish the prior year's reserve)                |  | XXX |     |
| (4570) Collection Losses                               |  |     |     |
| (To record the current year's addition to the reserve) |  | XXX |     |
| (1122.1) Allowance for Doubtful Accounts - tenants     |  |     | XXX |

**Guidelines for Conversion**

To provide for all reasonably anticipated losses inherent in the receivable balances that will not be collected, *establish an allowance for uncollectible (or doubtful) accounts*. When calculating the appropriate balance for the allowance account, consider such factors as the current accounts receivable aging and the historical collection experience. An example calculation methodology is:

1. Group the receivables as:
  - Current receivables
  - Receivables less than 90 days outstanding, but not current.
  - Receivables 90 - 180 days outstanding.
  - Receivables over 180 days outstanding.
2. Identify all receivables that are known to be uncollectible or that have a low probability of collection.
3. Establish the reserve for the estimated amount that will not be collected.
4. Establish a reasonable estimate of the remaining receivables which may not be collectible or collected and increase the reserve by this amount.

The method used by each PHA could change based on its specific circumstances.

Note: This methodology may also be applied to all other classifications of accounts receivable.

## Inventory

Accounting Topic	GAAP		
	Governmental Fund	Enterprise Fund	HUD-preferred Accounting
Capitalize Inventory	Optional	Required	Capitalize inventory and expense it when used.

### Former HUD Accounting

Some PHAs expensed inventory when the items were purchased (purchase method) while others expensed inventory when it was consumed (consumption method).

### GAAP Methodology

According to NCGA Statement No. 1, *Governmental Accounting and Financial Reporting Principles*, Par. 73:

*inventory of a governmental fund “. . . may be considered expenditures either when purchased (purchases method) or when used (consumption method), but significant amounts of inventory should be reported in the balance sheet.”*

An enterprise fund must account for its inventory just as a business enterprise would. ARB No. 43, Statement 2, *Restatement and Revision of Accounting Research Bulletins*, states that:

*in accounting for the goods in the inventory at any point in time, the major objective is the matching of appropriate costs against revenues in order that there may be a proper determination of the realized income. Thus, the inventory at any given date is the balance of costs applicable to goods on hand remaining after the matching of absorbed costs with concurrent revenues.*

To achieve this matching of costs with revenues, an enterprise fund must use the consumption method for inventory--report inventory as a current asset and expense it as it is consumed.

Inventories should be valued at cost using a flow assumption (e.g. “weighted average”, “first-in-first-out”, “last-in-first-out”) acceptable under GAAP. However, if the value of the inventory falls below cost due to damage, deterioration, obsolescence or other causes, then a loss should be recognized. This loss should be recorded in the allowance for obsolete inventory account.

**Under GAAP, when a governmental fund uses the purchase method of accounting for inventory, these are the entries:**

- |   |     |     |
|---|-----|-----|
| 1) To record the purchase of inventory    |     |     |
| (4420) Expenditures – Materials and Other | XXX |     |
| (1111.1/2111) Cash (or Accounts Payable)  |     | XXX |

**Under GAAP, when an enterprise fund uses the consumption method of accounting for inventory, these are the entries:**

- |   |     |     |
|---|-----|-----|
| 1) To record the purchase of inventory            |     |     |
| (1260/1270) Inventories - Materials/Equipment     | XXX |     |
| (1111.1/2111) Cash (or Accounts Payable)          |     | XXX |
| 2) To record the use of inventory                 |     |     |
| (4420) Expenditures-Materials and Other           | XXX |     |
| (1260/1270) Inventories-Materials/Equipment       |     | XXX |
| 3) To record the allowance for obsolete inventory |     |     |
| (4420) Expenditures-Materials and Other           | XXX |     |
| (1275) Allowance for Obsolete Inventory           |     | XXX |

### **HUD-preferred Accounting**

HUD prefers *the consumption method* because it matches expenditures and expenses to the period in which it is used.

### **Conversion Entries**

There will only be a conversion entry if the entity accounted for inventory on the purchase method. and converts to the consumption method:

- |   |     |     |
|---|-----|-----|
| (1260/1270) Inventories – Material/Equipment          |     |     |
| (Record inventory on hand at year-end)                | XXX |     |
| (4420) Expenditures – Materials and Inventory         |     |     |
| (Record the change in inventory balance for the year) |     | XXX |
| (2806) Undesignated Fund Balance/Retained Earnings    |     |     |
| (Amount of inventory on hand at prior year-end)       |     | XXX |

**Guidelines for Conversion**

Take a physical valuation of inventory on hand at or near year-end. Price the inventory on hand at year-end and establish an allowance for obsolete inventory.

## Investments

Accounting Topic	GAAP		HUD-preferred Accounting
	Governmental Fund	Enterprise Fund	
Record Investments	Record at Fair Market Value	Record at Fair Market Value	None

### Former HUD Accounting

HUD recorded investments either at amortized cost or fair market value; however, most PHAs record investments at amortized cost.

These are the journal entries to record the transactions related to investments:

1) To record the purchase of an investment:			
(1162*) Investments – General Fund & Security Deposit Fund	XXX		
(1111.1) Cash		XXX	
2) To accrue interest on General Fund investments:			
(1145) Accrued Interest Receivable	XXX		
(3610*) Interest on General Fund Investments		XXX	
* This account could be any investment account based on the source of the investment funds. The associated interest would also be posted to the associated interest account.			

### GAAP Methodology

GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, states that "governmental entities should report investments at fair value in the balance sheet (or other statement of financial position). Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale." GASB Statement No. 31, also states that "all investment income, including changes in the fair value of investments, should be recognized as revenue in the operating statement (or other statement of activities).

1) To record investments at market			
(1162*) Investments – General Fund & Security Deposit Fund	XXX		
(3620) Gain or Loss on Investments		XXX	
* This account could be any investment account based on the source of the investment funds. The associated interest would also be posted to the associated interest account.			

**HUD-preferred Accounting**

HUD prefers that each PHA follow GAAP as stated in GASB Statement No. 31.

**Conversion Entries**

The following entry is required to record the investments at market value.

1)	To record investments at market value if market value exceeds cost:	
	(1162) Investments	XXX
	(2806) Undesignated Fund Balance/Retained Earnings	
	(amount of difference between cost and market	
	at prior year-end)	XXX
	(3620) Gain or Loss on Investments	XXX
	(current year portion of market appreciation)	

**Guidelines for Conversion**

None



## Fixed Assets

Accounting Topic	GAAP		HUD-preferred Accounting
	Governmental Fund	Enterprise Fund	
Expense Soft Modernization Costs	Required	Required	None

### Former HUD Accounting

The basis of HUD's accounting for fixed assets was cost. HUD required the capitalization of all development, modernization, and relocation costs without distinguishing between soft modernization costs and hard modernization costs.

Soft modernization costs are used to finance activities incurred in connection with HUD capital projects that do not meet the GAAP capitalization rule (see GAAP Methodology section below), because they do not extend the useful life of the asset. An example of soft modernization costs is the money spent to relocate tenants prior to the modernization of a unit or building.

Hard modernization costs are incurred for projects associated with:

- the purchase of capital assets
- major construction or improvements (i.e., addition to a building or installation of a new boiler).

Routine repair and maintenance are not hard modernization costs; expense them as the costs are incurred.

### GAAP Methodology

NCGA Statement No. 1, *Governmental Accounting and Financial Reporting Principles*, addresses the treatment of fixed assets for governmental and enterprise funds:

*Fund fixed assets are fixed assets utilized in proprietary fund activities, which are accounted for in the appropriate (proprietary) fund. Fixed assets other than those accounted for in proprietary funds (or Trust funds) are general fixed assets. General fixed assets are accounted for in the General Fixed Assets Account Group rather than in the governmental funds. Fixed assets should be accounted for at cost or, if the cost is not practicably determinable, at estimated cost. Donated fixed assets should be recorded at their estimated fair value at the time received.*

All normal expenditures of preparing an asset for use should be capitalized. However, unnecessary expenditures that do not add to the utility of the asset should be charged to expense (i.e., repairing a piece of equipment damaged during shipment would be charged to expense). Development costs would be capitalized under GAAP, and relocation costs would be expensed under GAAP. Also "hard modernization costs" must be capitalized while "soft modernization costs" are expensed when incurred.

Under GAAP, these entries are used for fixed assets:

<i>For Governmental Funds:</i>			
1)	To record the receipt of HUD modernization/development grant funds:		
	(1111.1) Cash	XXX	
	(3401) Revenue-HUD PHA Grant		XXX
2)	To record the purchase of fixed assets (GFAAG):		
	(1400.6) Land	XXX	
	(1400.7) Buildings	XXX	
	(1400.8/1400.9) Equipment – Furniture, Equipment and machinery	XXX	
	(2801) Investment in General Fixed Assets		XXX
	(7540**) Property Betterments and Additions	XXX	
	(1111.1/2111) Cash (or Accounts Payable)		XXX
3)	To record "soft modernization costs":		
	(4190*) Other administrative expense	XXX	
	(1111.1/2111) Cash (or Accounts Payable)		XXX
** This item may be any capital outlay expenditure account.			
<i>For Enterprise Funds:</i>			
1)	To record receipt of HUD modernization/development grants:		
	(1111.1) Cash	XXX	
	(3401) Revenue-HUD PHA Grants (soft costs)	XXX	
	(2802) HUD PHA Contribution (hard costs)		XXX
2)	To record the purchase of fixed assets:		
	(1400.6) Land	XXX	
	(1400.7) Buildings	XXX	
	(1400.8/1400.9) Equipment	XXX	
	(1111.1/2111) Cash (or Accounts Payable)		XXX
3)	To record "soft modernization costs":		
	(4190*) Sundry - Other administrative expense	XXX	
	(1111.1/2111) Cash (or Accounts Payable)		XXX
* This item could be any expense category in which expended modernization dollars were classified (e.g. 4110 Administrative salaries, 4150, etc.).			

**HUD-preferred Accounting**

Record the purchase of property, plant and equipment in accordance with the capitalization standards promulgated under GAAP. According to those standards, development and hard modernization costs should be capitalized and depreciated. However, certain costs funded through HUD capital grants do not meet the definition of a capitalized cost and, therefore, should be expensed as incurred. For example, relocation costs and management improvements would not meet the GAAP capitalization rule and as a result would be expensed as the costs are incurred.

**Conversion Entries**

To write off the soft modernization costs previously capitalized, the following entry will be made:

(2802/2801) HUD PHA Contribution / Investment in Fixed Assets	XXX	
(1400.7) Buildings		XXX

## Depreciation

Accounting Topic	GAAP		HUD-preferred Accounting
	Governmental Fund	Enterprise Fund	
Depreciate Fixed Assets over Estimated Useful Life	Optional	Required	Capitalize fixed assets and depreciate these assets over their estimated useful lives.

### Former HUD Accounting

HUD required the capitalization of assets and the write-off of these assets at the time of their disposal. HUD did not require depreciation of these assets.

### GAAP Methodology

NCGA Statement No.1, *Governmental Accounting and Financial Reporting Principles*, states that while depreciation expense cannot be recorded in a **governmental fund**, accumulated depreciation may be reported in the General Fixed Assets Account Group. Reporting accumulated depreciation in the account group is not mandatory. If the governmental unit decides to report accumulated depreciation, observe the conventional accounting standards with respect to acceptable depreciation methods, economic life, and estimated salvage value. When the accumulated depreciation entry is made in the General Fixed Assets Account Group, depreciation expense is not recorded. Instead, the "Investment in General Fixed Assets" account is reduced and "Accumulated Depreciation" is increased:

*For Governmental Funds:*

(2801) Investment in General Fixed Assets	XXX	
(1400.5) Accumulated Depreciation		XXX

Under NCGA Statement No.1, all depreciable property of an **enterprise fund** must be depreciated in accordance with GAAP as applied by a commercial enterprise. Depreciation on fixed assets of a enterprise fund must be shown as an expense on its operating statements, with appropriate disclosures in the financial statements.

*For Enterprise Funds:*

(4800) Depreciation Expense	XXX	
(1400.5) Accumulated Depreciation		XXX

GASB *Codification*, Section G60.116, allows, but does not require enterprise funds to close out depreciation expense on contributed assets to “contributed capital” rather than to “retained earnings.” This provision applies only to assets contributed by *governments* outside the financial reporting entity. If the “add back” option is adopted, the full amount of depreciation is still reported in the enterprise fund’s operating statement, where it reduces the amount of net income reported. This treatment allows users of the operating statement to see the full cost of providing services, including depreciation on contributed assets. The amount of depreciation on contributed assets is then “added back,” effectively decreasing contributed capital rather than retained earnings. HUD recommends use of the “add back” option to properly reflect “retained earnings”.

*Addback entry for Enterprise Funds:*

(2802) HUD PHA Contributions	XXX
(2806) Undesignated Fund Balance/Retained Earnings	XXX

For practical purposes, property items frequently are grouped and an average life applied to determine depreciation. Groupings may be by year of acquisition, by type (all cars), by classification (all equipment), by location, or by a combination of these ways. Depreciation based on groups that include items with varying lives is referred to as **composite depreciation**. No gains/losses should be recognized on normal dispositions when this technique is used.

The following definitions relate to depreciation:

- ***Tangible assets*** are assets held by an enterprise for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and expected to be used for more than one period.
- ***Depreciation*** is the systematic allocation of the depreciable amount of an asset over its useful life.
- ***Depreciable amount*** is the cost of an asset, or other amount substituted for cost in the financial statements, less its residual value.
- ***Useful life*** is either:
  - a) the period of time over which an asset is expected to be used by the enterprise; or,
  - b) the number of production or similar units expected to be obtained from the asset by the enterprise.

- ***Cost** is the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition or construction.*
- ***Residual value** is the net amount, which the enterprise expects to obtain for an asset at the end of its useful life after deducting the expected costs of disposal.”*

When depreciating fixed assets, the PHA should establish useful lives for these assets that reflect reasonable estimates of the assets' lives.

### **HUD-preferred Accounting**

HUD prefers that both governmental and enterprise funds:

- Depreciate all fixed assets over their useful lives.
- Remove from the balance sheet all fixed assets that have been disposed of.

### **Conversion Entries**

*From HUD to Governmental:*

1) To record accumulated depreciation:		
(2801) Investment in General Fixed Assets	XXX	
(1400.5) Accumulated Depreciation		XXX

*From HUD to Enterprise:*

1) To record accumulated depreciation and depreciation expense:		
(2802) HUD PHA Contributions	XXX	
(4800) Depreciation Expense (current year)		XXX
(1400.5) Accumulated Depreciation		XXX

## Bonds and Notes Payable

Accounting Topic	GAAP		HUD-preferred Accounting
	Governmental Fund	Enterprise Fund	
Record Bonds and Notes Payable by Separating Current and Non-Current Portions.	Required	Required	None

### Former HUD Accounting

PHAs recorded debt that was guaranteed and serviced by HUD as well as debt that is not guaranteed and serviced by HUD. In addition, the related interest expense was also recorded.

These are the journal entries for the former HUD accounting:

1) To record accrued interest on bonds and notes payable:			
(5610) Interest on Notes and Bonds Payable	XXX		
(2132) Interest Payable-Notes		XXX	
(2133) Interest Payable-Bonds	XXX		
2) To record debt service payment due from HUD:			
(1176) HUD Annual Contributions Receivable	XXX		
(2840) Cumulative HUD Contributions			XXX
3) To record debt service payments paid to bond/note holders:			
(2132) Interest Payable - Notes	XXX		
(2133) Interest Payable – Bonds	XXX		
(2342) New Housing Authority Bonds - Retired	XXX		
(1176) HUD Annual Contributions Receivable			XXX

### GAAP Methodology

The notes & bonds issued by the PHA continue to use the same methodology as was required by HUD. The entries are the same as above except for entry three which would require a credit to cash rather than HUD Annual Contributions Receivable.



**Conversion Entries**

No conversion is necessary for bonds and notes payable which are not related to HUD-guaranteed debt because the HUD method is in compliance with GAAP. However, if the bond or note payable is related to HUD-guaranteed Debt, conversion is necessary. (See the section on HUD-guaranteed debt.)

**Guidelines for Conversion**

None

## Compensated Absences

Accounting Topic	GAAP		HUD-preferred Accounting
	Governmental Fund	Enterprise Fund	
Record liability for Compensated Absences (sick leave, vacation time)	Required	Required	None

### Former HUD Accounting

For HUD reporting, PHAs were required to disclose the liability related to compensated absences--such as sick leave and vacation pay. For recording these compensated absences, HUD required a cash basis approach. Therefore, the expense was recorded when the payment was made to the employees.

### GAAP Methodology

GAAP requires the accruing of a liability for the estimated amount of future benefits for services rendered. According to GASB Statement No. 16, *Accounting for Compensated Absences*:

*“A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee (i.e. an employee gets sick) should be accrued as employees earn the rights to the benefits.*

*Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the employer and employee should be accounted for in the period those services are rendered or those events take place.”*

### ***Vacation Leave and Other Compensated Absences with Similar Characteristics***

Accrue these types of compensated absences as a liability because employees earn these benefits by meeting both of these conditions:

1. The employees’ rights to receive compensation are attributable to services already rendered; and,
2. It is probable that the employer will compensate employees for the benefits through paid time off or some other means, such as cash payments at termination or retirements.

***Sick Leave and Other Compensated Absences with Similar Characteristics***

If paid time off is contingent on a specific event outside the control of the employer and employee (jury duty, for example), other compensated absences have characteristics similar to sick leave.

If it is probable that the employer will compensate employees for the benefits through cash payments conditioned on the employees' termination or retirement, accrue a liability as the benefits are earned by the employees

Under GAAP, these are the entries for compensated absences for both Governmental and Enterprise Funds:

1) To record the liability for compensated absences:

(4120*) Administrative Salaries	XXX	
(2135.1) Accrued Compensated Absences		XXX

\* This item could be any expense category in which compensated absences apply (e.g. 4110 Administrative Salaries, 4410 Ordinary Maintenance and Operations - Labor, etc.).

For governmental funds--because HUD is currently funding the entire liability for compensated absences through the operating subsidy, Section 8 administrative fees, and grants, the entire liability should be accrued in the general fund, and not in the general long-term debt account group (GLTDAG).

**HUD-preferred Accounting**

Account for sick and vacation time in accordance with GAAP and record the liability in the fund (for both the governmental fund and enterprise fund models) as HUD has provided funding for these liabilities.

## Conversion Entries

1) To record the liability for compensated absences:

(4120*) Administrative Salaries	
(Current year-end changes in accrual)	XXX
(2806) Undesignated Fund Balance	
(Amount for the prior year-end accrual)	XXX
(2135.1) Accrued Compensated Absences	XXX

\* This item could be any expense category in which compensated absences apply (e.g. 4110 Administrative Salaries, 4410 Ordinary Maintenance and Operations - Labor, etc.).

## Guidelines for Conversion

To convert from the cash method to the accrual method of accounting for compensated absences, PHAs should consider the following steps:

- Develop a database for entering leave balances and download all relevant employee payroll information.
- Enter information into the database from the leave balance report from the end of the previous leave period.
- Use the database to run a report to calculate the leave time accrual based on current leave regulations.

## *Liability Calculation*

Calculate the compensated absences liability based on the pay or salary rates in effect at the balance sheet date. However, if the employer pays employees for compensated absences at other than their pay or salary rates--for example, at a lower amount as established by contract, regulation, or policy--use that other rate as of the balance sheet date to calculate the liability.

Accrue an additional amount as a liability for salary-related payments associated with the payment of compensated absences, using the rates in effect at the balance sheet date. The salary-related payments subject to this accrual are those items for which an employer is liable to make a *payment directly and incrementally associated with payments made for compensated absences on termination*. Such salary-related payments include the employer's share of social security, Medicare taxes, and payroll taxes and also may include the employer's contributions to pension plans, for example.

Base the accrual on the entire liability for each type of compensated absence to which the salary-related payments apply. Therefore, accrue:

- payments that are directly and incrementally associated with the payment of sick leave termination payments for the entire sick leave liability
- salary-related payments associated with termination payments of vacation leave for the entire vacation leave liability, including leave that might be taken as paid time off rather than paid as termination payments

## HUD-guaranteed or Direct Debt

Accounting Topic	GAAP		HUD-preferred Accounting
	Governmental Fund	Enterprise Fund	
Record HUD-guaranteed Debt as capital contribution	Not required	Not required	HUD-guaranteed Debt should be classified as a capital contribution on the PHA's books.

### Former HUD Accounting

If PHAs had bonds and notes outstanding that HUD guaranteed (called HUD-guaranteed Debt) and for which HUD made all payments of the principal and interest, the PHAs were not liable for this debt. The debt, accrued interest liability, and expense were presented on the PHA's financial statements. However, HUD made the actual cash payment to the bond and note holders instead of passing the money through to the PHA who would in turn send it to the bond and note holders. This treatment resulted in a non-cash transaction between HUD and the PHA. Also, some PHAs carried debt owed to HUD, even though the terms of the debt stated that the debt would be forgiven after a period not exceeding 40 years.

### GAAP Methodology

GASB Interpretation No. 2, *Disclosure of Conduit Debt Obligations*, provides guidance as to the proper GAAP treatment of this HUD-guaranteed Debt. The debt transactions between the PHAs and HUD are similar to conduit debt obligations, which are:

*"Certain limited-obligation revenue bonds, certificates of participation, or similar debt instruments issued by a state or local governmental entity for the express purpose of providing capital financing for a specific third party that is not a part of the issuer's financial reporting entity."*

GAAP requires PHAs to disclose some details of the debt transaction and may require the PHA to record the liability on the issuer's (PHA's) books.

Because the transaction between the PHA and HUD is similar to HUD giving money to the PHA to operate, record the money as a capital contribution. HUD has essentially made an investment in the PHA. Furthermore, Section 7 and 8 of the Consolidated Annual Contributions Contract limits the use of PHA units for housing eligible families and requires PHAs to include language to this effect in the Declaration of Trust or similar document. Therefore, reclassify the liability as a capital contribution, and disclose the transaction in the financial statement footnotes.

### **Conversion Entries**

To reclassify debt that is guaranteed by HUD to a capital contribution from HUD:		
(2130.4*) HUD-guaranteed Debt		XXX
(2802) HUD-PHA Contributions		XXX

\* Including all other liability accounts, related fiscal agent accounts, and HUD ACC receivable amounts for HUD guaranteed debt.

### **Guidelines for Conversion**

To properly convert the accounts related to the HUD-guaranteed Debt, PHAs should consider these steps:

- Review the debt documents to ensure that HUD does indeed owe the debt
- Determine the amount of debt outstanding
- Reclassify the principal
- Reverse any accrual for interest expense payable.

## Interest Subsidy (related to HUD-guaranteed or Direct Debt)

Accounting Topic	GAAP		HUD-preferred Accounting
	Governmental Fund	Enterprise Fund	
Eliminate accrual for interest related to HUD-guaranteed Debt.	Required (assuming debt is treated as a capital contribution)	Required (assuming debt is treated as a capital contribution)	None

### **Former HUD Accounting**

HUD required PHAs to accrue the subsequent-year interest subsidy by recording the related accounts receivable, annual contribution, interest expense, and interest payable at year-end. Then at the beginning of the following fiscal year, HUD made the debt service payment, eliminating the accounts receivable and interest payable.

### **GAAP Methodology**

Because the interest subsidy is related to HUD-guaranteed Debt and the debt will be reclassified as a capital contribution, PHAs do not need to record the debt on their financial statements.

### **HUD-preferred Accounting**

HUD prefers that the PHA *eliminates the accrual for subsequent-year interest subsidy and all entries related to HUD-guaranteed Debt.*

### **Conversion Entries**

None

### **Guidelines for Conversion**

Same as HUD-guaranteed Debt



## Loss Contingencies

Accounting Topic	GAAP		HUD-preferred Accounting
	Governmental Fund	Enterprise Fund	
Record liability for loss contingencies	Required	Required	None

### Former HUD Accounting

HUD did not require accrual of loss contingencies, except for PHAs, which were self-insured. PHAs are required to obtain a waiver of the Annual Contributions Contract and specific authorization from HUD to be self-insured.

### GAAP Methodology

Under SFAS No. 5, *Accounting for Contingencies*, all PHAs must accrue contingent losses if the loss is probable and a reasonable estimate may be established. Recording a loss will affect the fund balance for governmental funds and retained earnings for enterprise funds. If neither of the conditions above is present, then the loss should only be disclosed. Under GAAP, these are the entries for loss contingencies:

#### *For Governmental Funds:*

- 1) To record the short-term portion of the contingent liabilities:
 

(4190*) Administrative Expense-Other	XXX	
(2130.2) Current Portion of Long-Term Debt – Operating Borrowings		XXX
- 2) To record the long-term portion of the contingent liabilities:
 

(1295) Due to/Due from (Amounts to be provided)	XXX	
(2130.3) Long-Term Debt – Operating Borrowings		XXX

#### *For Enterprise Funds:*

- 1) To record recognition of a contingent liability:
 

(4190*) Administrative Expense-Other	XXX	
(2130.2) Current Portion of Long-Term Debt – Operating Borrowings		XXX

\* This item could be any expense category in which contingent losses apply (e.g. 4190 Administrative Expense – Other, 4590 Other General Expense, etc.)

## **HUD-preferred Accounting**

Accrue contingent liabilities if the loss is probable and can be reasonably estimated whether the PHA is self-insured or has obtained insurance from an outside insurance company.

## **Conversion Entries**

### *For Governmental Funds:*

- |  |     |     |
|--|-----|-----|
| 1) To record recognition of the current portion of contingent liabilities:   |     |     |
| (4190*) Administrative Expense-Other   | XXX |     |
| (2130.2) Current Portion of Long-Term Debt – operating borrowings            |     | XXX |
| 2) To record recognition of the long-term portion of contingent liabilities: |     |     |
| (1295) Due to/Due from (Amounts to be provided)                              | XXX |     |
| (2130.3) Long-Term Debt – operating borrowings                               |     | XXX |

### *For Enterprise Funds:*

- |   |     |     |
|---|-----|-----|
| 1) To record recognition of a contingent liability:               |     |     |
| (4190*) Administrative Expense-Other                              | XXX |     |
| (2806) Retained Earnings  |     |     |
| (Amount of the prior year-end accrual)                            | XXX |     |
| (2130.2) Current Portion of Long-Term Debt – operating borrowings |     | XXX |

\*This item could be any expense category in which contingent losses apply (e.g. 4190 Administrative Expense – Other, 4590 Other General Expense, etc.)

## **Guidelines for Conversion**

Discuss with legal counsel contingent liabilities that meet the definition of SFAS No.5.

## Unfunded Pension Liability

Accounting Topic	GAAP		HUD-preferred Accounting
	Governmental Fund	Enterprise Fund	
Recognition of liability for unfunded pension amounts currently due.	Required	Required	Recognize current liability for the difference between pension amount due and actual amount funded and expended.

### Former HUD Accounting

HUD did not require the PHA to recognize a liability for pension amounts which were due but unfunded.

### GAAP Methodology

GASB-27, *Accounting for Pensions by State and Local Governmental Employers*, addresses accounting and reporting issues related to pension information presented in the financial statements of state and local governmental employers.

GASB-27 requires that a governmental employer determine the amount of the annual required contributions (ARC) for each year. The ARC is based on (1) the employer's normal costs and (2) a provision that amortizes the unfunded actuarial accrued liability. Normal cost is defined as that portion of the actuarial present value of pension plan benefits and expenses which is allocated to a valuation year by the actuarial cost method. Amortization of unfunded actuarial liability is the other portion of the ARC.

#### *Governmental Funds:*

Using modified accrual basis of accounting, the amount of expenditure recorded on the governmental entity's activity statement is that portion of the annual pension cost that uses current expendable resources. If, at the end of the year, the net pension obligation represents a liability (underfunded), the amount is reported as part of the General Long-Term Debt Account Group. If the net pension obligation is overcontributed, the amount is not reported on the financial statements, but must be disclosed.

1. *To record the pension expense:*

(4540*) Employee Benefit Contribution	XXX	
(1111.1) Cash		XXX

2. *To record the liability for unfunded pension amounts:*

(1295) Due To/Due From (Amounts to be provided)	XXX	
(2138) Unfunded Pension Liability. (GLTDAG)		XXX

\*This item could be any expense category in which pension expense applies (e.g. REAC suggested account 4182 – Employee benefit contribution administrative, 4222 – Employee benefit contributions – tenant services, etc.)

*Enterprise Funds:*

Using full accrual accounting, the expense is based on the computation of the annual pension cost. Any difference between the amount of the accrual and the amount funded should be subtracted or added to the net pension obligation. If the pension plan is underfunded, the amount of liability should be reported on the balance sheet. If the pension plan is overfunded, the amount should be reported as an asset on the balance sheet.

*To record the pension expense and unfunded pension liability:*

(4540*) Employee Benefit Contribution	XXX	
(1111.1) Cash		XXX
(2138) Unfunded Pension Liability		XXX

\* This item could be any expense category in which pension expense applies (e.g. REAC suggested account 4182 – Employee benefit contribution administrative, 4222 – Employee benefit contributions – tenant services, etc.)

**HUD-preferred Accounting**

Recognize the unfunded pension liability using the full accrual method. Likewise, recognize the expense for the full ARC.

**Conversion Entries**

*For Governmental Funds:*

To recognize a liability for pension amounts which were due but unfunded at the date of conversion:

(1295) Due To/Due From (Amounts to be provided)	XXX	
(2138) Unfunded Pension Liability		XXX

*For Enterprise Funds:*

To recognize a liability for pension amounts which were due but unfunded at the date of conversion::

(2806) Retained Earnings		
(Amount of the prior year-end accrual)	XXX	
(2138) Unfunded Pension Liability		XXX

**Guidelines for Conversion**

None

## Section III. Technical Submission Requirements

### *Submission Methodology*

This is a preliminary listing of the requirements for electronic submission of PHA GAAP based financial data to the Financial Assessment Subsystem (FASS) of REAC. As of the date of this document, detailed electronic submission procedures have not been finalized.

HUD will maintain a secure Internet Connection site (Connection) allowing PHAs to transmit financial data and review the submission status of transmissions. The Connection will provide the following functionality:

- Establishment and distribution of PHA user identification numbers and passwords to the designated employees and/or agents of PHAs to access the Connection in the following manner:
  - 1) PHA FASS user submits identification information and password to REAC;
  - 2) REAC verifies user information and accepts password;
  - 3) REAC mails user identification number to PHA Director;
  - 4) PHA Director provides user identification number to FASS user;
  - 5) PHA FASS user submits financial data to REAC using identification number and password.
- Secure access for transmitting files, and reviewing the status of submissions.

HUD will provide software at the connection to facilitate the timely submission of accurate financial data to REAC. The software will automatically download to the user's computer each time it is utilized to ensure the business rules are current. HUD anticipates that the initial release will permit PHAs, or representatives, to enter financial data directly into a provided template. Future releases may permit PHAs to submit financial data to REAC, in a HUD specified format, using a file transfer method.

HUD anticipates the software will provide the following benefits:

- Check format of data;
- Validate data against pre-defined business rules;
- Display and print hard copy of error messages from incorrect data entry;
- Provide transmission/submission status;
- Allow user to save partially completed submissions, for completion at a later date;
- Allow user to print out a hard copy of a partial or complete submission;
- Allow user to save a text file of their submission;
- Allow user to submit financial data electronically.

#### **PHA responsibilities include:**

- Acquiring Internet access from an Internet Service Provider (ISP) vendor;
- Entering and submitting accurate financial data to FASS on time.

## **Section IV. Supplemental Financial Data Schedule**

### ***Purpose***

The conversion to GAAP-based financial statements allows each PHA to report based on whether it is a governmental fund or enterprise fund. To facilitate comparative financial analysis, HUD requires consistent financial information from each PHA. As a result, HUD requires a Supplemental Financial Data Schedule that provides the information needed to analyze the financial condition of each PHA without additional inquiry from the field offices or preparing more HUD forms.

### ***Requirement in Financial Statements***

The Supplemental Financial Data Schedule must be:

- included in both the unaudited and audited financial statements
- presented using the same basis of accounting as the audited financial statements
- consistent with the information in the audited financial statements
- opined on by independent auditors
- included in the bound copy of the financial statements

Please refer to Appendix A for an example of the Financial Data Schedule and a complete listing of all programs.

### ***Instructions***

The Financial Data Schedule is prepared from the PHA's financial statements. Captions on the financial statements are grouped together to correspond to the appropriate line items on the Financial Data Schedule. The various funds (e.g., general fund, special revenue fund, enterprise fund, trust fund) presented in the financial statements are broken out among the various HUD projects (e.g., Low Rent, Section 8 Rental Voucher Program, CGP/CIAP/HOPE VI). These amounts are then entered into the appropriate HUD project column and line item on the Financial Data Sheet. For further information see Appendix E – Getting Started.

## Section V. Submission Timetable

### *Effective Dates*

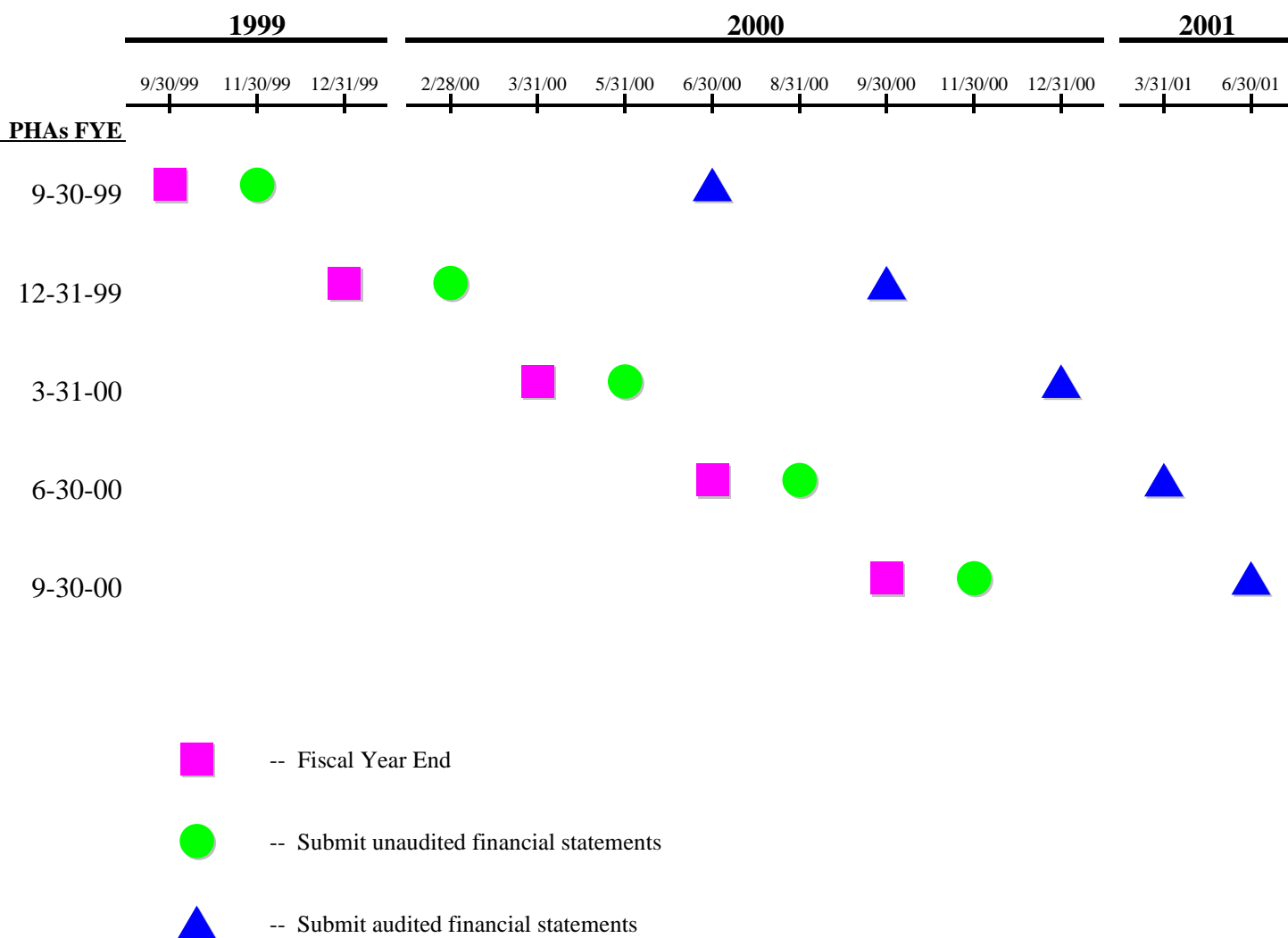
Here are the fiscal year-end dates for PHAs and the due dates for submitting unaudited and audited financial statements. This guide will help PHAs plan their fiscal closing processes and audits to meet financial reporting deadlines. The effective date for audited GAAP-based financial statements to be submitted to HUD is for fiscal years beginning on or after October 1, 1998.

PHA FYE	Financial Statement Submission Requirements		Basis of Accounting
	Unaudited	Audited	
9-30-99	11-30-99	6-30-00	GAAP Basis
12-31-99	2-28-00	9-30-00	GAAP Basis
3-31-00	5-31-00	12-31-00	GAAP Basis
6-30-00	8-31-00	3-31-01	GAAP Basis
9-30-00	11-30-00	6-30-01	GAAP Basis

This chart shows the submission timeline for PHAs' first required reporting under GAAP-based upon the fiscal year-end of September 30, December 31, March 31, and June 30.



## Submission Timeline for PHAs



## ***Submission Dates***

- PHAs must submit *unaudited financial statements* to HUD no later than 2 months after the end of the fiscal year including its self-assessment of the type of opinion expected, expected audit qualifications, expected material weaknesses, and expected reportable conditions.
- Under the Single Audit Amendment Act and OMB Circular A-133, PHAs must submit *audited financial statements* within nine months after the PHA's fiscal year-end.
- As part of HUD's conversion to GAAP accounting, all PHAs must submit the required statements in electronic formats. All PHAs should begin electronically submitting reports after September 30, 1999 and before the final deadline of November 30, 1999, for PHAs with a September 30 fiscal year ending.
- PHAs may not change their fiscal year-end for the first three full fiscal years after this new rule becomes effective.

## **Appendix A. Financial Data Schedule**

## Appendix B. Sample Chart of Accounts

### Financial Data Schedule Line Item Key

Certain of the HUD Accounts used by a PHA must be split among several financial data lines if the financial data schedule requires the activity or balance in that account to be presented in greater detail. Listed below are some of the financial data schedule line items which the activity or balance in that account may be required to be split amongst. It should be noted that it is the responsibility of the PHA to determine on which line of the financial data schedule each account in the general ledger should be listed. The information listed below should serve as a guide.

#### NOTE:

If more than one financial data schedule line is listed in column one of the following table, the PHA must analyze the HUD account listed in column two and determine the appropriate allocation or posting of the amount among the listed line numbers. The REAC suggested accounts are provided to assist in transferring balances from multiple, current HUD accounts to a single account for future recording.

Highlighted fields represent Financial Data Schedule lines as included in the electronic submission.

Financial Data Schedule Line #	HUD Account Number	HUD Account Name	Reason for Addition of New Account
<b>Asset Accounts</b>			
<b>Cash</b>			
111, 112, 113	1111.1	General fund (development and/or operation)	
112	1111.2	General fund - (unapplied debt service funds)	
112	1111.3	General fund (modernization)	
111	1111.4	Cash – unrestricted	Financial Indicator
112	1111.5	Cash – restricted- modernization & development	Financial Indicator
113	1111.6	Cash – other restricted	Financial Indicator
114	1114	Cash – tenant security deposits	
111	1117	Petty cash fund	
111	1118	Change fund	
<b>Accounts Receivable</b>			
126	1122	Accounts Receivable – Tenants – dwelling rents	
126.1	1122.1	Allowance for doubtful accounts – dwelling rents	GAAP
128	1121	Fraud recovery	Compliance
128.1	1121.1	Allowance for doubtful accounts – Fraud	Compliance
125	1123	Mutual-help homebuyers	
125	1124	Homebuyers (Turnkey III projects)	
126.2	1124.1	Allowance for doubtful accounts – other	GAAP
122	1125	HUD	
126.2, 1110	1125.1	Allowance for doubtful accounts – HUD	GAAP
122	1125.P	Accounts receivable, HUD portability (Section 8)	
142	1127	Advances for security and utility deposits	
124, 125, 126, 128, 144	1129	Other	
121	1129.P	Accounts receivable, issuing HA-portability (Section 8)	

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Financial Data Schedule Line #	HUD Account Number	HUD Account Name	Reason for Addition of New Account
127, 171, 172	1130	Notes and mortgages receivables	
127	1131	Notes and mortgages receivable – current	Analysis
124	1135.1	Accounts receivable – other governments	Analysis
125	1135.2	Accounts receivable – miscellaneous	Analysis
122	1135.3	Accounts receivable – HUD other projects	Analysis
121	1135.4	Accounts receivable – PHA projects	Analysis
129	1145	Accrued interest receivable	
<b>Advances</b>			
144, 347	1155	Limited revolving fund	
144, 347	1156	Unlimited revolving fund	
<b>Other Assets</b>			
144, 347	1157	Advances-other	
171	1158	Notes & mortgages receivable - non-current	Analysis
172	1158.1	Notes & mortgages receivable non current - past due	Analysis
<b>Investments</b>			
111, 114, 131, 132	1162	General fund and security deposit fund	
111, 113, 114, 131	1163	Homeownership reserve funds	
131	1164	Investments - unrestricted	Analysis
132	1165	Investments - restricted	Analysis
113	1163.1	Homebuyers earned home payments	
113	1163.2	Homebuyers non-routine maintenance reserve	
113	1163.3	Mortgagors/MH homebuyers maintenance reserve	
113	1163.4	MH homebuyers monthly equity payments	
113	1163.5	MH homebuyers voluntary equity payments	
<b>Debt Amortization Funds</b>			
131, 132, 502, 503	1171	Debt service funds	
131, 132, 502, 503	1172	Advance amortization fund	
131, 132, 502, 503	1173	Investments	
502, 503	1176	HUD Annual Contributions Receivable	
502, 503	1177	Deposits with HUD	
<b>Deferred Charges</b>			
142	1211	Prepaid insurance	
142	1212	Insurance deposits	
143	1255	Maintenance work in process	
143	1260	Inventories (materials)	
143	1270	Inventories (equipment)	
143.1	1275	Allowance for obsolete inventories	GAAP
142, 174	1290	Deferred charges-other	
144	1295	Inter-program (due from)	GAAP
<b>Land, Structures and Equipment</b>			
161, 162, 163, 164, 165	1400.2	Development/modernization costs and sub. accounts	
161, 162, 163, 164, 165	1400.4	Land, structures and equipment	
922	1495	Relocation costs	
176	1499	Investments in joint ventures	GAAP
166	1400.5	Accumulated depreciation	GAAP
161	1400.6	Land	GAAP
162	1400.7	Buildings	GAAP
163	1400.8	Furniture, equipment and machinery - dwellings	GAAP
164	1400.9	Furniture, equipment and machinery - admin.	GAAP
165	1400.10	Leasehold improvements	GAAP
174	1400.11	Other assets	Analysis

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Financial Data Schedule Line #	HUD Account Number	HUD Account Name	Reason for Addition of New Account
<b>Undistributed Debits</b>			
175	1510	Payments for off-site utilities	Analysis
175	1620	Undistributed debits – ineligible expenditures	
175	1640	Payrolls	
175	1660	Other administration expense	
175	1690	Undistributed debits	
<b>Other Debits</b>			
174	1800	Uncompleted contracts	
174	1810	Contract awards – contra	
174	1820	Undeposited bid guarantees	
174	1830	Returnable bid guarantees - contra	
322	1840	Earned Annual Leave	
322	1850	Allowance for Annual Leave - contra	
146	1865	Amounts to be provided	GAAP
144	1860	Advances from general fund to debt service fund	
347	2140	Refunds due general fund from debt service fund	
<b>Liability Accounts</b>			
342	2200	Deferred revenue	GAAP
<b>Current Liabilities Accounts</b>			
311	2106	Bank overdraft	GAAP
312, 313	2111	Vendors and contractors	
345, 353	2112	Contract retentions	
345	2113	Performance deposits	
341	2114	Tenants security deposits	
331	2110.2	Accounts payable – PHA programs	Financial Indicator
333	2110.4	Accounts payable – other government	Financial Indicator
321	2117	Payroll deductions and contributions	
331	2118	HUD	
345, 353	2115	Unclaimed Salaries and Wages	
332	2115.P	Section 8 Accounts Payable – Portable Vouchers	
332	2116.P	Section 8 Accounts Payable – Portable Certificates	
332	2116	Accounts Payable – HUD Other Projects	
312, 313, 345, 347, 353	2119	Accounts Payable – Other	
312	2110.1	Accounts Payable < 90 days	Analysis
313	2110.2	Accounts Payable > 90 days	Analysis
345	2141	Other current liabilities	Analysis
	2140	Due from debt service fund	GAAP
<b>Notes Payable</b>			
502	2122	Project loan notes (HUD)	
343, 344, 351, 352	2123	Administrative notes (HUD)	
502	2126	Project notes (Non-HUD)	
343, 344, 351, 352	2129	Sundry notes	
343	2130	Current portion of L-T debt- capital project	GAAP
351	2130.1	L-T debt, net of current – capital projects	GAAP
344	2130.2	Current portion of L-T debt – operating borrowings	
352	2130.3	L-T debt, net of current – operating borrowings	GAAP
503	2130.4	Long-term debt – HUD guaranteed	GAAP
353	2130.5	Non-current liabilities – other	GAAP
<b>Accrued Liabilities</b>			
321	2120.1	Accrued wage/payroll taxes payable	GAAP

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<b>Financial Data Schedule Line #</b>	<b>HUD Account Number</b>	<b>HUD Account Name</b>	<b>Reason for Addition of New Account</b>
321	2120	Accrued payroll	GAAP
322	2135.1	Accrued Compensated Absences	GAAP
324	2120.3	Accrued contingency liability	GAAP
325	2131	Accrued interest payable	GAAP
502	2131.1	Interest payable – development notes & bonds (HUD)	
325	2131.2	Interest Payable – administrative notes (HUD)	
325	2131.3	Interest Payable – other notes – deferred payment (HUD)	
325	2132	Interest payable – notes (non-HUD)	
325	2133	Interest payable – bonds (non-HUD)	
333	2137	Payments in lieu of taxes	
321	2135	Accrued payroll	
346	2134, 2136, 2139	Accrued liabilities – other	
346, 1107, 1108	2138	Accrued liabilities pension and severance	
347	2140	Refunds due general fund from debt service fund	
347	2145	Inter program due to	
<b>Trust Deposits</b>			
353	2161	Homebuyers ownership reserve	
353	2162	Homebuyers non-routine maintenance reserve	
353	2164	Unapplied Payments on resale of dwellings - TKIII	
353	2165	Mortgagors taxes and insurance	
353	2166	Mortgagors maintenance reserve	
353	2171	MH Homebuyers Monthly Equity Payments	
353	2172	MH Homebuyers Voluntary Equity Payments	
353	2180	Family Self Sufficiency Escrow Account	
<b>Deferred Credits</b>			
342	2210	Prepaid annual contribution	
342	2240	Tenants prepaid rents	
342	2241	Prepaid monthly payments (homebuyers)	
342	2245	Prepaid Monthly Payments – MH Homebuyers	
353	2250	Investment Income – Homebuyers Earned Home Payments – Unapplied	
353	2250.1	Investment income – homebuyers ownership reserve (unapplied)	
353	2250.2	Investment Income – Homebuyers Ownership Reserve	
353	2251	Investment Income – Homebuyers Maintenance Reserve – Unapplied	
353	2251.1	Investment Income – Homebuyers Ownership Non-Routine Maintenance Reserve (Unapplied)	
353	2251.2	Investment Income – Homebuyers Non-Routine Maintenance Reserve (Applied)	
353	2252	Investment Income – MH Homebuyers equity payments – unapplied	
507	2260	Land MH Contributions	
353	2261.1	MH Homebuyers Non-land MH Contributions	
353	2261.2	Tribal Non-Land MH Contributions	
341, 353	2290	Deferred Credits –Other	
<b>Fixed Liabilities</b>			
502	2311	Permanent Notes – HUD	
502	2312	Permanent Notes - (F.F.B.)	
502	2310	Contributed capital – project notes (HUD)	

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<b>Financial Data Schedule Line #</b>	<b>HUD Account Number</b>	<b>HUD Account Name</b>	<b>Reason for Addition of New Account</b>
503	2321	Series 'A' notes and bonds issued	
503	2322	Series 'A' notes and bonds retired	
503	2331	Series 'B' notes and bonds issued	
503	2332	Series 'B' notes and bonds retired	
503	2341	New Housing Authority Bonds Issued	
503	2342	New Housing Authority Bonds Retired	
503	2695	Long term debt – HUD guaranteed	
502	2351	Other Notes Payable to HUD (Deferred)	
501	2801	Investment in general fixed assets	GAAP
<b>Equity Accounts</b>			
<b>Surplus</b>			
504	2802	Net HUD PHA contributions	GAAP
505	2803	Other HUD contributions	GAAP
507	2805	Other contributions	GAAP
512	2806	Undesignated fund balance /Retained earnings	GAAP
509	2807	Reserved fund balance for operating activities	GAAP
510	2808	Reserved fund balance for capital activities	GAAP
504	2810	Unreserved surplus	
512	2820	Operating Reserve (Locally Owned Project)	
512	2821	Operating Reserve (Leased Projects)	
512	2822	Operating Reserve (MH Projects)	
512	2823	Operating Reserve (Home Ownership Projects)	
512	2824	Operating Reserve (Section 23 HAP Projects)	
504	2825	Reserved Surplus (Unfunded Section 23 HAP Projects)	
512	2826	Reserved Surplus (Section 8 HAP Projects)	
512	2826.1	Reserved Surplus (Housing Voucher Projects)	
504	2827	Project Account (Unfunded Section 8 HAP Projects)	
504	2827.1	Project subsidy account (Unfunded – housing certificates program)	
504	2827.2	Project fee account (Unfunded – housing voucher program)	
504	2840	Cumulative HUD Contributions	
504	2840.1	Cumulative HUD annual contributions – debt service – interest	Compliance
504	2845	Cumulative HUD Grants for Development/Modernization	
507	2850	Cumulative Donation	
509, 510	2854	Replacement Reserve – Proceeds from Sale of Dwellings: Retained by HA	
504	2855	Cumulative Proceeds from Sale of Dwellings	
504	2857.1	Cumulative Proceeds from Sale of MH Dwellings Remitted to HUD	
504	2857.2	Cumulative Proceeds Unfunded Reserves applied to purchase price of dwellings	
504	2860	Book Value of Projects Conveyed to HUD	
504	2870	Less: Contract Payments to HUD	
502	2880	Development Cost (Undeveloped Projects)	
504	2890	Cost of Dwellings Conveyed to Homebuyers	
<b>Capital Contributions (New Mutual Help)</b>			
507	2912	Refundable MH Reserve	
507	2914	Unrefundable MH Reserve	
<b>Income Accounts</b>			
331, 714	2690	Undistributed credits	
711	3300	Interest on Reserved Surplus – Operating Reserve	



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Financial Data Schedule Line #	HUD Account Number	HUD Account Name	Reason for Addition of New Account
715	3300.P	Income – Portability	
714	3300.1	Fraud Recovery Funds Retained	
<b>Revenue</b>			
706	3401	HUD PHA Grants	GAAP
708	3404	Other government grants	GAAP
706	3410	Section 8 income	GAAP
704	3422	Tenant revenue – other	GAAP
711	3430	Investment income – unrestricted	GAAP
715	3440	Other	
714	3450	Fraud recovery	Compliance
712	3470	Mortgage Interest Income	
715	3480	Other Revenue	
720	3431	Investment Income – restricted	
<b>Rental Income</b>			
703, 714, 964	3110	Dwelling Rental	
703	3115	Net tenant rental revenue	Financial Indicator
704	3120	Excess Utilities	
715	3190	Non-dwelling Rental	
<b>Non rental Income</b>			
711, 712, 720	3610	Interest on General Fund Investments	
711	3620	Gain or loss on investments	
715	3680	Assessments – Homeowners	
704, 708, 715	3690	Other Income	
<b>Operating Receipts</b>			
715	7110	Receipts from Off-site Utilities	
715	7190	Operating Receipts for Repayment of Off-Site Utilities – Contra	
<b>Operating Expenditure Administration</b>			
916, 962	4010	Preliminary Administrative Expenses (Section 8) – Prior to ACC	
916, 962	4012	Preliminary Administrative Expenses (Section 8) – After ACC	
916, 962	4012.P	Preliminary Administrative Expenses (Section 8) – Portability	
911, 914, 968	4110	Administrative Salaries	
911	4111	Administrative salaries	Financial Indicator
914	4120	Compensated Absences	GAAP
916, 962	4130	Legal Expense	
916, 962	4140	Staff Training	
916, 962	4150	Travel	
916	4170	Accounting Fees	
912	4171	Auditing Fees	
916, 962	4180	Office Rent – HAP	
915	4182	Employee benefit contributions - administrative	GAAP
913, 916, 962	4190	Sundry - other administrative expense	
913	4195	Outside Management Fees	
916	4196	Other operating - administrative	
<b>Tenant Services</b>			
914, 921, 968	4210	Tenant Services – Salaries	
921	4215	Tenant Services - salaries	
924	4220	Recreation, Publications and Other Services	
923	4222	Employee benefit contributions – tenant services	Analysis
924	4230	Contract Costs, Training and Other	
924	4231	Tenant Services – Other	Analysis
<b>Utilities</b>			

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Financial Data Schedule Line #	HUD Account Number	HUD Account Name	Reason for Addition of New Account
931	4310	Water	
932	4320	Electricity	
933	4330	Gas	
934	4340	Fuel	
914, 935, 968	4350	Labor	
935	4355	Labor	
937	4352	Employee Benefit Contributions – utilities	Analysis
938	4390	Other Utilities Expenses	
<b>Ordinary Maintenance and Operation</b>			
914, 941, 968	4410	Labor	
941	4415	Labor	
942	4420	Materials and other	
943	4430	Contract Costs	
943	4431	Garbage and Trash Removal	
945	4433	Employee Benefit Contributions – ordinary maintenance	Analysis
<b>Protective Services</b>			
914, 951, 968	4460	Labor	
951	4465	Labor	
953	4470	Materials	
952	4480	Other Contract Costs	
955	4482	Employee Benefit Contributions – protective services	Analysis
953	4483	Protective services - Other	Analysis
<b>General expenses</b>			
961	4510	Insurance premiums	
962	4595	Other General Expenses	
963	4520	Payments in Lieu of Taxes	
968	4530	Terminal leave payments – severance pay expense	
915, 923, 937, 945, 955	4540	Employee benefit contribution	
964, 975	4570	Collection losses	
966	4571	Bad debt – other	Analysis
964	4572	Bad debt – tenant rents	Analysis
965	4573	Bad debt – mortgages	Analysis
967	4580	Interest expense	
968	4535	Severance expense	GAAP
962, 975	4590	Other general expense	
<b>Non-routine Maintenance</b>			
971	4610	Extraordinary maintenance	
972	4620	Casualty losses - non capitalized	
<b>Rent for Leased Dwellings</b>			
978	4710	Rents to owners of leased dwellings	
978	4710	Dwelling units rent expense	Financial Indicator
973	4715	Housing assistance payments (Section 8)	Financial Indicator
973	4715.P	Housing assistance payments (Section 8) portability	
974	4800	Depreciation expense	GAAP
975	4571	Fraud loss	Financial Indicator
977	4650	Debt principal payment – governmental funds	Financial Indicator
967	4900	Interest expense for PHA's notes and bonds	GAAP
<b>Other Accounts Not Affecting Residual Receipts</b>			
502, 503	5230	Interest on Debt Amortization Fund Investments	

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Financial Data Schedule Line #	HUD Account Number	HUD Account Name	Reason for Addition of New Account
502, 503	5240	Interest on Payments for Off-Site Utilities	
502, 503	5610	Interest on Notes and Bonds Payable	
502, 503	5640	Bond Redemption Premiums	
<b>Surplus Credits and Charges</b>			
1104	6010	Prior Year Adjustments – Affecting residual receipts	
504	6020	Prior Year Adjustments – Not affecting residual receipts	
716	6110	Gain or Loss from disposition of real property	
716	6120	Gain or Loss from disposition of non-expendable equipment	
716	3490	Gain or Loss on sale of fixed assets	GAAP
<b>Operating Expenditures For Property</b>			
976	7520	Replacement of non-expendable equipment	
716, 1006	7530	Receipts from non-expendable equipment not replaced	
976	7540	Property betterment and additions	
976	4640	Capital outlays – governmental funds	Financial Indicator
715	7560	Casualty losses – capitalized	
716, 1006	7580	Proceeds from disposition of property – reserved	
N/A	7590	Operating expenditures for property – contra	
<b>HUD Annual Contributions Earned</b>			
706	8010	Basic Annual contribution Earned Leased Projects, Sec 23/10 - Current Year	
706	8011	Basic Annual contribution Earned Leased Projects, Sec 23/10 - Prior Year Adjustments-(Debit) Credit	
706	8020	Contributions Earned – operating subsidy – current year	
706	8025	Annual Contributions Earned – Section 23 HAP Projects	
706	8026	Annual Contributions Earned – Section 8 HAP Projects	
<b>Grant Funds Received</b>			
504, 706	8029.1	Development Grant Funds Received During Current Year	
504, 706	8029.2	Modernization Grant Funds Received During Current Year	
<b>Homebuyers Payments – Property Acquisition</b>			
504, 509, 510	8112	Proceeds from Sale of Dwellings	
504	8114	Homebuyers Payments on Resale Dwellings	
504, 509, 510	8116.1	Cash Applied to purchase price of MH Dwellings	
504	8116.2	MH Unfunded Reserves applied to purchase price of Dwellings	
<b>Other Financing Sources (Uses)</b>			
1001	9110	Operating transfers in	GAAP
1002	9111	Operating transfers out	GAAP
1003	9115	Operating transfers from/to primary government	GAAP
1004	9116	Operating transfers from/to component unit	GAAP
1005	9120	Proceeds from notes, loans and bonds	GAAP
1006	7545	Proceeds from property sales	Financial Indicator
<b>Memo Account Information</b>			
1101	N/A	Capital Outlays – enterprise funds	Financial Indicator
1102	N/A	Debt principal payments – enterprise funds	Financial Indicator
1103	N/A	Beginning equity	Financial Indicator
1104	N/A	Prior period adjustments	Financial Indicator
1105	N/A	Changes in compensated absences liability	Financial Indicator
1106	N/A	Changes in contingency liability balance	Financial Indicator
1107	N/A	Changes in unrecognized pension transition liability balance	Financial Indicator
1108	N/A	Changes in special term/severance benefits liability balance	Financial Indicator
1109	N/A	Change in allowance for doubtful accounts – dwelling rents	Financial Indicator

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Financial Data Schedule Line #	HUD Account Number	HUD Account Name	Reason for Addition of New Account
1110	N/A	Change in allowance for doubtful accounts – other	Financial Indicator
1112	N/A	Depreciation add-back	Financial Indicator
1113	N/A	Maximum annual contribution commitment (Per ACC)	Financial Indicator
1114	N/A	Prorata maximum annual contributions applicable to a period of time of less than twelve months	Financial Indicator
1115	N/A	Contingency reserve, ACC program reserve	Financial Indicator
1116	N/A	Total annual contributions available	Financial Indicator
1120	N/A	Unit Months Available	Financial Indicator
1121	N/A	Number of unit months leased	Financial Indicator

## Appendix C. Sample Accounts Added

Note: These accounts are only suggested and are not required to be used by the PHA. These accounts were added in order to make reporting simpler for the PHA by including accounts that are required under GAAP and separating amounts that may have originally been included in a single account.

Financial Data Schedule Line #	HUD Account Number	HUD Account Name
<b>Asset Accounts</b>		
<b>Cash</b>		
111	1111.4	Cash – unrestricted
112	1111.5	Cash – restricted- modernization & development
113	1111.6	Cash – other restricted
<b>Accounts Receivable</b>		
126.1	1122.1	Allowance for doubtful accounts – dwelling rents
128	1121	Fraud recovery
128.1	1121.1	Allowance for doubtful accounts – Fraud
126.2, 1110	1124.1	Allowance for doubtful accounts – miscellaneous
126.2, 1110	1125.1	Allowance for doubtful accounts – HUD
142	1127	Advances for security and utility deposits
127	1131	Notes and mortgages – current
124	1135.1	Accounts receivable – other governments
125	1135.2	Accounts receivable – miscellaneous
122	1135.3	Accounts receivable – HUD other projects
121	1135.4	Accounts receivable – PHA projects
131	1164	Investments – unrestricted
132	1165	Investments – restricted
<b>Other Assets</b>		
171	1158	Notes & mortgages receivable - non-current
172	1158.1	Notes & mortgages receivable - past due
<b>Deferred Charges</b>		
143.1	1275	Allowance for obsolete inventories
144	1295	Inter-program (due from)
<b>Land, Structures and Equipment</b>		
176	1499	Investments in joint ventures
166	1400.5	Accumulated depreciation – structures and equipment
161	1400.6	Land
162	1400.7	Buildings
163	1400.8	Furniture, equipment and machinery - dwellings
164	1400.9	Furniture, equipment and machinery - admin.
165	1400.10	Leasehold improvements
174	1400.11	Other assets
<b>Undistributed Debits</b>		
175	1510	Payments for off-site utilities
<b>Other Debits</b>		
146	1865	Amounts to be provided
144	1860	Advances from general fund to debt service fund
347	2140	Refunds due general fund from debt service fund
<b>Liability Accounts</b>		
342	2200	Deferred revenue

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Financial Data Schedule Line #	HUD Account Number	HUD Account Name
<b>Current Liabilities Accounts</b>		
311	2106	Bank overdraft
312	2110.1	Accounts Payable ≤ 90 days
313	2110.2	Accounts payable > 90 days past due
331	2110.2	Accounts payable – HUD PHA programs
333	2110.4	Accounts payable – other government
<b>Notes Payable</b>		
343	2130	Current portion of L-T debt- capital project
351, 977	2130.1	L-T debt, net of current – capital projects
344	2130.2	Current portion of L-T debt – operating borrowings
352, 977	2130.3	L-T debt, net of current – operating borrowings
503	2130.4	Long-term debt – HUD guaranteed
353	2130.5	Non-current liabilities – other
<b>Accrued Liabilities</b>		
322	2135.1	Accrued Compensated Absences
321	2120	Accrued wages/payroll taxes payable
321	2120.1	Accrued wages/payroll taxes payable
324	2120.3	Accrued contingency liability
325	2131	Accrued interest payable
346	2138	Accrued liabilities pension and severance
347	2140	Refunds due general fund from debt service fund
345	2141	Other current liabilities
347	2145	Inter program due to
<b>Fixed Liabilities</b>		
502	2310	Project notes (HUD)
503	2321	Series ‘A’ notes and bonds issued
503	2322	Series ‘A’ notes and bonds retired
503	2331	Series ‘B’ notes and bonds issued
503	2332	Series ‘B’ notes and bonds retired
503	2695	Long-term debt – HUD guaranteed
501	2801	Investment in general fixed assets
<b>Equity Accounts</b>		
<b>Surplus</b>		
504	2802	HUD PHA contributions
505	2803	Other HUD contributions
507	2805	Other contributions
512	2806	Undesignated fund balance /Retained earnings
509	2807	Reserved fund balance for operating activities
510	2808	Reserved fund balance for capital activities
504	2840.1	Cumulative HUD annual contributions – debt service – interest
<b>Revenue</b>		
706	3401	Revenue - HUD PHA Grants
708	3404	Revenue - other government grants
706	3410	Section 8 income
704	3422	Tenant revenue – other
711	3430	Investment income – unrestricted
715	3440	Other
714	3450	Fraud recovery
712	3470	Mortgage Interest Income
715	3480	Other Revenue
716	3490	Gain or loss on sale of fixed asset

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Financial Data Schedule Line #	HUD Account Number	HUD Account Name
720	3431	Investment Income – restricted
<b>Operating Expenditure Administration</b>		
911	4111	Administrative salaries
914	4120	Compensated Absences
915	4182	Employee benefit contributions – administrative
916	4196	Other operating – administrative
<b>Tenant Services</b>		
921	4215	Tenant services – salaries
923	4222	Employee benefit contributions – tenant services
924	4231	Tenant Services – Other
<b>Utilities</b>		
937	4352	Employee Benefit Contributions – utilities
<b>Ordinary Maintenance and Operation</b>		
941	4415	Ordinary maintenance and operations – labor
945	4433	Employee Benefit Contributions – ordinary maintenance
<b>Protective Services</b>		
951	4465	Protective services – labor
955	4482	Employee Benefit Contributions – protective services
953	4483	Protective services – Other
<b>General expenses</b>		
968	4535	Severance expense
966, 975	4571	Bad debt – other
964	4572	Bad debt expense TARs
965	4573	Bad debt –mortgages
<b>Rent for Leased Dwellings</b>		
976	4640	Capital outlays – governmental funds
977	4650	Debt principal payment – governmental funds
974	4800	Depreciation expense for enterprise fund
967	4900	Interest expense for PHA’s notes and bonds
<b>Other Accounts Not Affecting Residual Receipts</b>		
502	5230	Interest on Debt Amortization Fund Investments
502	5240	Interest on Payments for Off-Site Utilities
502	5610	Interest on Notes and Bonds Payable
502	5640	Bond Redemption Premiums
<b>Other Financing Sources (Uses)</b>		
1001	9110	Operating transfers in
1002	9111	Operating transfers out
1003	9115	Operating transfers from/to primary government
1004	9116	Operating transfers from/to component unit
914	4120	Compensated Absences
1005	9120	Proceeds from notes, loans and bonds
1006	7545	Proceeds from property sales

## Appendix D. Questions and Answers

The following is a listing of frequently asked questions concerning governmental accounting related to PHAs, the PHA conversion from the HUD basis of accounting to GAAP basis of accounting, and HUD's requirement to submit GAAP-based audited financial statements.

- **General Questions**

**Q:** When are the **GAAP** conversion journal entries prepared?

**A:** Conversion entries are only required at year-end. It is recommended that when a PHA has a choice, it convert to GAAP now. Each PHA should use whatever method facilitates its internal accounting posting and closings.

**Q:** Is the **Financial Data Schedule** a supplemental schedule in the audit report?

**A:** Yes.

**Q:** Will **all programs**, i.e., EDS, HOPE VI, COMP GRANT, etc. be tracked and reported separately on the financial data schedule?

**A:** Yes. The financial data schedule should contain a category for all significant HUD programs according to its CFDA number.

- **Governmental versus Enterprise**

**Q:** **Which method** will HUD require for financial statements, the Governmental Method approach or the Enterprise Method approach?

**A:** Each PHA will have to make its own assessment based upon the type of activities performed. That determination will drive which method most accurately provides the reader of the financial statements with a clear understanding of its entities operations and financial results.



- **GAAP Questions**

**Q:** How is **depreciation** accounted for under the Governmental method?

**A:** Accumulated depreciation should be reported in the General Fixed Assets Account Group. Depreciation expense should not be reported in the fund under the Governmental Method.

**Q:** If a PHA elects the Governmental Method approach, will the non-recording of **depreciation** have an impact on the financial indicator results?

**A:** Depreciation will be added back to the financial results before performing any of the indicator analysis. Therefore, there will be no impact on the financial indicators.

**Q:** How will **debt** be treated under the new requirements?

**A:** HUD-guaranteed debt will be treated as a capital contribution with an associated footnote disclosure. Debt owed to HUD will also be treated as a capital contribution as HUD has agreed to forgive the debt after 40 years. All other debt should be recognized as a liability.

**Q:** How should a PHA record the annual **interest expense associated with HUD debt**?

**A:** The payment of interest is just a pass-through since the debt is treated as contributed capital. Therefore, the associated interest expense should not be recorded.

- **Electronic Submission**

**Q:** How should each PHA **submit** information electronically?

**A:** The information will be submitted electronically via the Internet through an Internet Connection site (Connection). The submissions will be secure since the process requires identification numbers and passwords. Instructions are available on the Web at REAC's site.

**Q:** Will REAC require **hard (paper) copies** of the financial information be submitted?

**A:** No, REAC will only require a hard copy of the auditors' report.

**Q:** What if a **PHA refuses** to send it electronically?

**A:** That PHA will be referred to the appropriate HUD department to ensure enforcement.

**Q:** What are the **Web site addresses**?

**A:** For the GAAP Conversion Guide:

- **<http://www.hud.gov/reac/reafin.html>**

For OMB Clearinghouse:

- **<http://www.harvest.census.gov/sac>**

For FACS submission:

- **<http://www.hud.gov/fha/mfh/afs/afshome.html>**

## Appendix E. Getting Started

Effective for fiscal years ending on September 30, 1999, and later, public housing authorities (PHAs) are required to provide their year-end financial data to HUD, REAC in accordance with the electronic submission requirements outlined in the Uniform Financial Reporting Standards for HUD Housing Programs; Final Rule, published in the September 1, 1998, Federal Register (Vol. 63, No. 169, Docket No. FR-4313-P-01). In order to facilitate the electronic submission, the PHA should accumulate and prepare certain information in advance of completing the FDS.

### Necessary information:

Before beginning the process of inputting data into the FDS, the PHA should accumulate the following necessary information:

- PHA's trial balance for each HUD program
- If books not kept under GAAP then all GAAP required adjusting journal entries
- FDS line item definitions as documented in the FDS Data Schedule Line Definitions and Crosswalk Guide
- Chart of account definitions used by the PHA
- An electronic version of the FDS
- HUD PHA GAAP Conversion Guide

Questions related to the conversion to GAAP standards should be discussed with the PHA's independent accountant or auditor to ensure appropriate consideration and treatment of individual PHA conditions and circumstances. The independent accountant or auditor should be relied upon when determining and posting necessary adjusting journal entries.

### Completing the FDS:

In order to effectively complete the FDS, the PHA may follow the guidance below to get started:

- Review the FDS Posting Guidance and the GAAP Conversion Guide to obtain an overview of HUD's reporting requirements, the GAAP conversion process, and the information to be reported on each line of the FDS.
- Review the FDS to become familiar with the program and line information to be input.
- Identify the trial balance accounts to be reported on each FDS line. Document the crosswalk of your trial balance or chart of accounts to the FDS based on your account definitions. This crosswalk should be retained for future reference.
- Determine the program or programs that are effected by the GAAP conversion entries. The adjusting journal entries must be reported under the appropriate program or programs based on a reasonable identification or allocation of the entry amounts.

- Post your financial data to the FDS by taking each year-end account balance and posting it to the appropriate program and FDS line.

**Completing the Data Collection Form:**

In order to complete the Data Collection Form (DCF) the PHA may follow the guidance below to get started:

- If subject to OMB A-133, use OMB Data Collection Form as the basis for completing the DCF
- Review the prior years audited financial statements to determine types of opinion, reportable conditions, material weaknesses, and other necessary information
- Review the management letter provided by the auditor and assess whether areas discussed should be reported on the DCF
- Complete the DCF for the unaudited submission as a self-assessment of what is expected to be reported in the audit
- Complete the DCF for the audited submission using actual information from the auditor and audited financial statements

**FDS Electronic submission:**

The PHA must electronically submit the FDS in accordance with the submission requirements posted in the Federal Register. HUD will maintain a secure Internet connection site allowing the PHA to:

- Transmit financial data
- Review the submission status of transmissions

HUD will provide software at the connection to facilitate the timely submission of accurate financial data. The software will automatically download each time it is utilized, assuring the most recent version of the FDS is available.